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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 07/23/09

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(1) Simulation of Lower House election: Battle over 241 seats

MAINICHI (Page 3) (Full)
July 23, 2009

Fumie Ueno, Yu Takayama

The campaign for the 45th House of Representatives election, with
official declaration of candidacy set for August 18 and voting
scheduled for August 30, has essentially begun. The main issue in
the election is whether the government of the Liberal Democratic
Party (LDP) and New Komeito will continue or whether a coalition
government led by the Democratic Party of Japan (DPJ) will take
over. The alignment of forces is divided into the LDP and New

Komeito on one side and the DPJ, the Social Democratic Party (SDP), and the People's New Party (PNP) on the other. They will be fighting a battle to grab 241 seats, which will give them the majority in the 480-seat Lower House, and 241 seats has been set as the criterion of victory. It is possible that both camps will be unable to win 241 seats, in which case, the Japanese Communist Party (JCP) and the independents will hold the casting vote, and there will be maneuverings to form a majority.

1) If LDP, New Komeito win majority: Administration sustained, "twisted Diet" continues

The goal of the LDP and New Komeito, which is going into the Lower House election under adverse conditions, is to "keep the majority by the two parties and sustain the administration." (LDP Secretary General Hiroyuki Hosoda) While this is a standard of victory set considerably lower than the 334 seats they held at the time of the Lower House dissolution, these parties have a strong sense of crisis. They will look for opportunities to turn the tide in the longest ever campaign period -- 40 days - of all elections held under the present Constitution.

LDP Election Strategy Council Vice Chairman Yoshihide Suga gave a speech in Yokohama on the evening of July 22, where he stressed that, "If we plead to the people openly and squarely, the ruling parties can win a majority." However, even if these two parties are able to retain a majority, the "twisted Diet," where the opposition controls the House of Councillors, will continue. It will be very difficult for the ruling parties to win over two-thirds of the seats - which they succeeded in doing in the Lower House election in 2005,

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when the LDP won a landslide victory. That win enabled them to pass bills (rejected by the Upper House) with a second overriding vote in the Lower House. If important bills are rejected one after the other, the administration may find itself in a stalemate.

If the LDP-New Komeito administration continues after the Lower House election, a realignment of political forces is also possible, including a "grand coalition" with the DPJ or the recruitment of defectors from the ranks of opposition members of the Upper House. Certain LDP members pin their hope on collaborating with conservative DPJ Diet members, reckoning "if the DPJ fails to capture power, this party made up of a hodgepodge of political forces will disintegrate." (senior LDP official)

2) DPJ, SDP, PNP win majority: DPJ opts for coalition government even with landslide victory

DPJ President Yukio Hatoyama talked about the party's goal at a news conference on July 21: "At the very least, to become the number one party, and to win a majority through cooperation among the opposition parties." The DPJ has declared its intention to form a coalition government with the SDP and the PNP after the Lower House election. Its criterion for victory will be winning 241 seats by the three parties.

At the time of Diet dissolution, the three parties held a total of 124 seats. They will have to win almost twice this number of seats to grab power. Mainichi Shimbun's nationwide public opinion poll (conducted on July 18 and 19) shows that 56 percent of the respondents want the DPJ to win the election. Some DPJ members hold the bullish view that the party "might be able to win over 250 seats single-handedly." (senior DPJ official)

However, the situation in the Upper House remains that the DPJ, the SDP, and the PNP together are barely able to control a majority. Therefore, even if the DPJ is able to win a majority alone in the Lower House, it still intends to form a coalition with the SDP and the PNP. It appears that Hatoyama's setting "winning a majority by the opposition parties" as the criterion of victory is also out of consideration for the need to collaborate with the other parties.

In addition, New Party Nippon leader Yasuo Tanaka and candidates endorsed by the DPJ outside the SDP and the PNP, such as independent Makiko Tanaka, are also expected to join the coalition if they get

elected. In the end, these candidates will also be counted in the criterion of victory of 241 seats.

3) Ruling, opposition parties evenly matched: JCP, independents to hold the key

In case both the LDP-New Komeito camp and the three-party alliance of the DPJ, the SDP, and the PNP fail to win a majority and are evenly matched, the JCP and the independents are expected to hold the casting vote. At an interview with the media on July 21, JCP Chairman Kazuo Shii stated that his party "might vote for the DPJ" in the election of the prime minister after the election "in order not to prolong the LDP-New Komeito government," but this will be "on several conditions."

The JCP envisions playing the role of a "constructive opposition party," meaning it will vote for DPJ President Hatoyama in the runoff vote for the prime minister, helping the election of "Prime

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Minister Hatoyama," but the party will not participate in the coalition government and will make demands of the DPJ to realize its policy proposals. In such a case, the DPJ-led coalition administration will be a minority government which will be unable to enact laws without opposition cooperation, rendering it very unstable.

Both the LDP and the DPJ are also expected to work fiercely to win over politicians of the "third force," such as former Administrative Reform Minister Yoshimi Watanabe and former Minister of Economy, Trade, and Industry Takeo Hiranuma, who left the LDP, in order to form a majority. This process will have the potential of spawning a "grand coalition" of the LDP and the DPJ, mutual recruitment of defectors by both parties, or other forms of realignment of political forces.

(2) Lower House dissolution for general election: Economy, people's livelihoods, peace of mind are key words when voters choose between LDP or DPJ

TOKYO SHIMBUN (Page 9) (Excerpts)
July 22, 2009

The dissolution of the Lower House has effectively signaled the launch of election campaigning. Although the accelerating economic recession has entered a temporary lull, the employment situation is worsening. Economic stimulus measures will become the greatest bone of contention in the long campaign period. As people become increasingly dissatisfied, the key issues for voters when choosing between the Liberal Democratic Party (LDP) and the Democratic Party of Japan (DPJ) will likely be improvement of people's livelihoods and peace of mind.

Pork-barrel spending noticeable: Gap in approaches to sales tax seen between ruling and opposition parties

Public appeal

Finance Minister Kaoru Yosano during a press conference held after a cabinet meeting on July 21 proudly noted the effects of the economic stimulus measures implemented under his initiative, "Based on an assessment of the current stage, the Aso administration's stimulus package is a success."

The Aso administration was launched right after the failure of Lehman Brothers, a leading U.S. security house, in September last year. The administration has compiled four budgets, including extra budgets as stimulus measures. In particular, the size of the fiscal 2009 budget was the largest ever, totaling roughly 14 trillion yen. The government in July revised upward its overall assessment of the economy for the third consecutive month, citing that personal consumption has picked up due to a tax break for environmentally-friendly cars, the showcase of the package, and the effect of assistance for the purchases of environmentally-friendly home electronic appliances.

Some market players said that making a bullish assessment amid a rising jobless rate is premature. However, the government is making a frantic effort to demonstrate the administration's accomplishments to the public.

Acrimonious exchanges

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Blasting the series of stimulus measures taken by the government as pork-barrel largesse, the DPJ intends to take a second look at budget request guidelines, which indicate a general framework for the fiscal 2010 budget.

However, a number of the proposals that the DPJ is going to include in its manifesto are also pork-barrel largesse. The amount needed to finance its policy proposals - child allowances of 26,000 yen per month, toll-free highways, free high school education, and abolition of the provisional gas tax - comes to between 16 trillion yen and 17 trillion yen. The DPJ says that it will secure fiscal resources by recombining budget items and reforming the way tax money is used. The ruling parties are criticizing the DPJ's plan as mere fantasy.

Dire straits

As a result of the extensive public spending repeatedly implemented by the Aso administration, fiscal reconstruction and spending reform, the symbols of the Koizumi reform, have been put on hold.

The long-term outstanding debt held by the central and local governments is estimated to reach 816 trillion yen as of the end of fiscal 2009. Its share in the gross domestic product (GDP) stands at approximately 170 PERCENT, the worst level among developed countries.

Vice Finance Minister Tango, who served as secretary to former Prime Minister Koizumi, accepted unprecedented measures, saying, "They are necessary in order to deal with an unanticipated challenge." However, future generations will be forced to pick up the bill for mountains of loans.

Even if stimulus packages are settled for the time being, securing stable fiscal resources to finance social security spending is bound to become a challenge. The natural increase in social security spending will be as much as 1 trillion yen a year. If there are no fiscal resources to finance that amount, it will have to be covered by loans.

Prime Minister Taro Aso on the 21st stressed the need to raise the sales tax. However, a tax increase must be premised on economic recovery. It is unclear when the economy will turn around. The DPJ's policy is not to raise the sales tax for four years.

Taking immediate stimulus measures is important. However, it is an unavoidable challenge for Japan, which has entered the age of a declining birthrate and a rapidly aging society, to take a second look at social security and the tax system. All political parties need to squarely face the challenge of formulating policies, even if they are painful for voters.

(3) LDP meltdown - 2009 Lower House election (Part 1): LDP as opposition becomes possibility

SANKEI (Top play) (Abridged slightly)
July 22, 2009

Fumito Ishibashi

"I have only one wish. I hope that all of the candidates for the Lower House general election present today will be able to come back

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here again," Prime Minister Aso said with tears in his eyes in a meeting of all the LDP Diet members held at noon on July 21 on the

ninth floor of the Liberal Democratic Party's (LDP) headquarters. Pressed by anti-Aso forces, the LDP leadership held the meeting, but contrary to expectations, almost no critical views on Aso were raised. Since Aso had been concerned that the meeting would become a venue for the LDP to disgrace itself in public, he appeared to be delighted with the outcome.

The party headquarters was filled with tension until immediately before the opening of the meeting. If the pro- and anti-Aso forces clashed head-on with each other in the meeting, there would be a risk of the LDP entering the election split into two groups. For that reason, Aso started his speech in a serious manner, saying:

"Before expressing my determination and readiness for a Lower House dissolution, I have to offer my apology. I am deeply sorry for my statements and the flip-flops that triggered public anxiety and distrust in politics, resulting in the drop in the LDP's support rate."

Referring to the LDP's six consecutive losses in the recent local elections, Aso said: "That's because of my lack of ability," and continued:

"The LDP is a truly conservative party. We are like-minded persons gathered under the conservative ideal. Now is the time for us to demonstrate the LDP's potential cultivated through history and tradition. Let us overcome this national crisis."

His remarks set the current of the meeting. LDP members praised Aso in succession. Makoto Koga, who recently resigned as chairman of the LDP Election Strategy Council, raised his voice: "Let's go forth today to the battle fields or election districts!"

Another reason for the calming down of the drive to oust Aso is that LDP lawmakers supporting the move to unseat Aso came under severe criticism from LDP supporters who have been fed up with the political brouhaha in the LDP.

Also at a meeting of the LDP Lower House members immediately before the Lower House plenary session, tensions ran high for a moment when former Secretary General Hidenao Nakagawa, who directly urged Aso to step down, raised his hand and took the podium to speak. Nakagawa, however, said in a calm voice: "The Prime Minister's speech today was very good. We will accept the Prime Minister's resolution with grace and fight in the election with party unanimity." Nakagawa offered his hand to Aso.

Aso lost his temper when he was asked a question by a reporter, replying: "Do you think I will easily answer a question that is premised on a defeat in the election? We are now about to fight in the election. We will do anything we can do to win the election."

The reporters tenaciously asked him how he would take responsibility if the ruling coalition loses a majority of the Lower House. Since a strong adverse wind is blowing against the LDP, the possibility of the party becoming an opposition party is moving closer to reality. Why did Aso dissolve the Lower House at the risk of defeat?

The only possible reason is that he predicted that if the LDP went into the general election after he resigned and a new president were

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elected, there would be a strong possibility that the LDP would split. He thought that he could protect the LDP if he took responsibility by dissolving the chamber, since the chances were slim that the LDP would win under the leadership of a new president.

It is difficult for the LDP to reach a consensus even on foreign and security policy. LDP members only care about the results of public opinion polls. Many lawmakers think only about what action will be most advantageous for them.

Leaders of the anti-Aso movement, including former Secretary General Tsutomu Takebe, received LDP recognition letters from Aso and took photos with him. Witnessing their complete change, Aso gave a wry

smile.

At a press conference yesterday, Aso stressed:

"I will ask the people to focus on which party can fulfill its responsibility. If I fail to keep my promise, I will take responsibility. In order to fulfill my political responsibility, I will risk my political life to fight in the election.

Aso's "declaration of war" against the Democratic Party of Japan (DPJ) questioned the LDP's pride as administrative party.

(4) Wavering seen in DPJ's foreign policy

OKINAWA TIMES (Page 2) (Full)
July 23, 2009

2009 House of Representatives Election Reporting Team

Senior U.S. government officials and Democratic Party of Japan (DPJ) Diet members had dinner at a Japanese restaurant in Akasaka, Tokyo, in mid-June. One Diet member said repeatedly: "You don't have to worry when we take over the administration. We will come up with acceptable policies for sure," trying to alleviate the U.S. side's concerns about DPJ policy.

Equal relations with the U.S.

The U.S. side has so far rejected all the DPJ's demands - relocation of the U.S. forces' Futenma Air Station outside of Okinawa, review of the U.S. Forces Japan realignment plans, and revision of the Japan-U.S. Status of Forces Agreement (SOFA).

On the other hand, the DPJ has also been seen to be "wavering" in its foreign policy, with President Yukio Hatoyama indicating that the Maritime Self-Defense Force refueling mission in the Indian Ocean will continue for the time being after the change of administration, for instance.

On the early evening of July 19, Hatoyama told the audience at the Okinawa City Auditorium: "At least, if you (the Okinawan people) are united in your wish for relocation outside the prefecture, we will have to take positive action in that direction."

In reaction to this, a senior Ministry of Defense (MOD) official chuckles: "He has set the condition of 'if the Okinawan people are united in their wish' for the first time. My impression is that with the assumption of power fast approaching, (the DPJ) is retreating

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little by little." The U.S. has been pressuring the DPJ since late 2008, telling it that the U.S. side will not agree to policy change. This MOD official is optimistic that, "Unmistakably, the pressure has worked. I don't think there will be any major change in security policy."

However, a mid-ranking DPJ Diet member denies this: "Our position on various issues will remain unchanged after taking over the administration. If we change our position, the people will criticize us for 'merely mouthing good words'."

This is based on the perception: "It is impossible to take a confrontational attitude toward the U.S. and turn things upside down overnight. We aim to be an equal negotiating partner and change things gradually" (same source). Foreign and defense policies will mostly not be included in the DPJ's manifesto (campaign pledges) to be published shortly. The above Diet member explains that: "Detailed explanation is necessary in this area. Short, unclear phrases will rather give rise to misunderstanding," so such policies will be written into an annotation document accompanying the manifesto.

Policy on Futenma to be watched

With regard to the relocation of Futenma outside the prefecture, a senior Okinawa Prefectural Government official is furious: "It is irresponsible (to talk about that) without even offering a concrete

alternative plan." "The fastest way to the return of Futenma is to relocate to Nago, which is willing to accept the facility." He doubts the feasibility of relocation outside the prefecture.

Even Nago, the relocation site, is cautious about this proposal. Nago Mayor Yoshikazu Shimabukuro points out: "There is no concrete proposal on where to move the facility. I think this will be difficult to implement." Yasumasa Oshiro, head of Henoko district, is also doubtful: "It would be best if the facility were not brought here, but is it possible (to overturn) an agreement between Japan and U.S. just because the administration has changed?"

An opposition Nago city assembly member who is against the relocation says: "I have hopes for relocation outside Okinawa with the change of administration, but this will not be easy to accomplish." He intends to watch moves in the DPJ.

(5) Poll on general election

TOKYO SHIMBUN (Page 2) (Full)
July 20, 2009

Questions & Answers (Figures shown in percentage)

Q: To what extent are you interested in the forthcoming general election for the House of Representatives?

Very interested 44.1
Somewhat interested 38.7
Not very interested 13.2
Not interested at all 3.9
Don't know (D/K) + no answer (N/A) 0.1

Q: Which political party's candidate are you going to vote for in your single-seat constituency in the general election?

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Liberal Democratic Party (LDP) 16.1
Democratic Party of Japan (DPJ or Minshuto) 34.1
New Komeito (NK) 2.8
Japanese Communist Party (JCP) 2.1
Social Democratic Party (SDP or Shaminto) 0.9
People's New Party (PNP or Kokumin Shinto) 0.1
Reform Club (RC or Kaikaku Kurabu) ---
New Party Nippon (NPN or Shinto Nippon) ---
Other political parties, groups ---
Independent candidate 1.7
None 3.6
Undecided 37.5
D/K+N/A 1.1

Q: Which political party are you going to vote for in your proportional representation bloc?

LDP 15.6
DPJ 36.2
NK 4.2
JCP 3.4
SDP 1.2
PNP 0.1
RC ---
NPN ---
Other political parties, groups ---
None 3.4
Undecided 34.7
D/K+N/A 1.2

Q: What do you weigh the most when you vote in the general election?

Social security, such as pension and healthcare 40.9
Economy, job security 30.7
Taxation, such as consumption tax 8.4
Decentralization, administrative reform 6.9

Constitutional reform 1.9
Foreign relations, national security 2.3
Politics and money 4.4
Political heredity 1.2
Other answers 0.6
D/K+N/A 2.7

Q: Are you going to vote in the forthcoming election?

Yes for sure (including early voting) 75.4
Yes if possible 21.1
No 3.0
D/K+N/A 0.5

Q: What form of government would you like to see after the next general election?

LDP-led coalition government 14.8
DPJ-led coalition government 39.3
LDP-DPJ grand coalition 16.7
New framework through political realignment 20.8
D/K+N/A 8.4

Q: When comparing Prime Minister Taro Aso and DPJ President Yukio
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Hatoyama, who do you think is more appropriate for prime minister?

Taro Aso 21.0
Yukio Hatoyama 48.4
D/K+N/A 30.6

Q: Is there a political party you usually support?

Yes 32.1
No 67.1
D/K+N/A 0.8

Q: (Only for those who answered "yes" to the foregoing question)
Then, which political party do you support?

LDP 47.8
DPJ 31.0
NK 8.9
JCP 5.7
SDP 3.8
PNP 0.1
RC ---
NPN ---
Other political parties, groups ---
D/K+N/A 2.7

Q: (Only for those who answered "no" to the foregoing question) If you were to support a political party, which political party would you like to choose?

LDP 18.0
DPJ 43.1
NK 1.8
JCP 2.7
SDP 1.4
PNP 0.3
RC 0.2
NPN ---
Other political parties, groups ---
Still none 31.4
D/K+N/A 1.1

Q: Do you support the Aso cabinet?

Yes 20.6
No 72.8
D/K+N/A 6.6

Polling methodology: This survey was conducted across the nation on July 18-19 by Kyodo News Service on a computer-aided random digit

dialing (RDD) basis. Among randomly generated telephone numbers, those actually for household use with one or more eligible voters totaled 1,766. Answers were obtained from 1,243 persons.

ZUMWALT